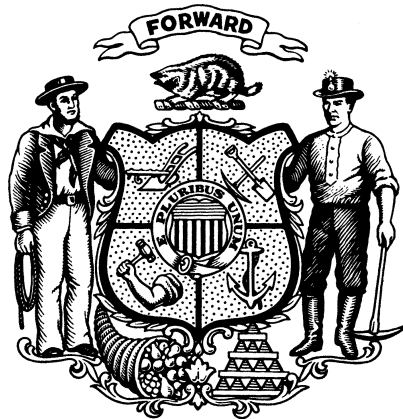


# **Department of Health Services Audit Guide**

**A Guide to Performing Audits and  
Special Investigations for Funding from the  
Department of Health Services**



**2013 Revision**

# Department of Health Services Audit Guide

## A Guide to Performing Audits and Special Investigations for Funding from the Department of Health Services

2013 Revision

### Table of Contents

Contents	i
URL's for resources cited in the DHS Audit Guide	iii

#### Section 1 - Applies to all auditees

<b>1</b>	<b>Introduction</b>	<b>1</b>
<b>1.1</b>	<b>Main Document of the State Single Audit Guidelines</b>	<b>1</b>
III. 1.1	<i>Applicability of the Main Document of State Single Audit Guidelines for audits in accordance with the DHS Audit Guide Illustration</i>	2
<b>1.2</b>	<b>Types of audits involving DHS funds</b>	<b>6</b>
1.2.1	<i>Grants and purchases of care and services</i>	6
1.2.2	<i>Additional requirements for single audits</i>	8
1.2.3	<i>Managed Care Organizations for Family Care, Family Care Partnership, and PACE</i>	10
<b>1.3</b>	<b>Information about programs – DHS direct funded agencies</b>	<b>11</b>
1.3.1	<i>Programs paid through DHS's Community Aids Reporting System</i>	11
1.3.2	<i>Audit confirmations for DHS programs</i>	11
<b>1.4</b>	<b>Elements of the Audit Reporting Package</b>	<b>11</b>
III. 1.4	<i>Elements of the Audit Reporting Package Illustration</i>	12
<b>1.5</b>	<b>Confidential client information encountered during audit</b>	<b>14</b>
<b>1.6</b>	<b>AU-C Section 530 on Audit Sampling</b>	<b>16</b>
<b>1.7</b>	<i>American Recovery and Reinvestment Act</i>	16
1.7.1	<i>Expenditures of ARRA Awards</i>	16
1.7.2	<i>Close-out reports for ARRA programs</i>	17
1.7.3	<i>Selection of ARRA programs for major program testing</i>	17
III. 1.7.3	<i>ARRA programs in the audit report Illustration</i>	18
<b>1.8</b>	<b>Peer review</b>	<b>19</b>
<b>1.9</b>	<b>Effective date for the 2013 update to the DHS Audit Guide</b>	<b>19</b>
<b>1.10</b>	<b>Due date for audit reports</b>	<b>19</b>
<b>1.11</b>	<b>Sending audit reports to funding agencies</b>	<b>20</b>
	<i>Revision – All reports sent to DHS must be in pdf format and sent by auditor, guidance on creating the pdf document.</i>	
<b>1.12</b>	<b>Contact information</b>	<b>20</b>

#### Section 2 – Applies to all auditees

<b>2</b>	<b>General requirements</b>	<b>1</b>
<b>2.1</b>	<b>Segregation of duties</b>	<b>1</b>
<b>2.2</b>	<b>Activities allowed or unallowed</b>	<b>3</b>
<b>2.3</b>	<b>Allowable costs</b>	<b>4</b>
2.3.1	<i>Allowable costs, generally</i>	4
2.3.2	<i>Related party transactions</i>	5
2.3.3	<i>Additional supplemental schedule(s) required by funding agency</i>	6

2.3.4	Settlement of DHS Cost Reimbursement Award	6
	<b>Revision – clarified conditions requiring the settlement schedule</b>	
III.2.3.4	Settlement of DHS Cost Reimbursement Award <i>Illustration</i>	7
	<b>Revision – clarified conditions requiring the settlement schedule</b>	
2.3.5	Reserve Supplemental Schedule	9
III. 2.3.5	Reserve Supplemental Schedule <i>Illustration</i>	11
2.3.6	Allowable Profit Supplemental Schedule	14
III. 2.3.6	Allowable Profit Supplemental Schedule <i>Illustration</i>	15
2.4	<b>Eligibility</b>	16
2.5	<b>Matching, level of effort, and earmarking</b>	16
2.6	<b>Reporting</b>	17
2.6.1	Reporting, generally	17
2.6.2	Reporting allowable costs for reimbursement through invoices and Community Aids Reporting System (CARS)	18
2.6.3	Reporting through the Human Services Reporting System (HSRS)	19
2.6.4	Additional considerations for reporting for Medicaid waiver programs	19
III. 2.6.4	What is reported and what is paid on HSRS and CARS <i>Illustration</i>	21
2.7	<b>Information technology (IT) security provision in state/county contract</b>	21
2.8	<b>Procurement and suspension and debarment</b>	23
2.8.1	Procurement and suspension and debarment, generally	23
2.8.2	Purchase of Care and Services	24
2.9	<b>Client rights and client funds</b>	27
2.10	<b>Illegal Acts and other misconduct</b>	28

**Section 3 - Each section is a separate document. These provisions  
apply only to funding that DHS paid directly to the auditee –  
see respective sections for additional information on applicability**

3.1	Community Options Program (COP)
3.2	Community Integration Program I and Brain Injury Waiver
3.3	Aging and Disability Resource Centers
3.4	Case Management Agency Providers
3.5	Community Integration Program II/Community Options Program Waiver (CIP II/COP-W)
3.6	Wisconsin Medicaid Cost Reporting
3.7	Medicaid Personal Care Program
3.8	Basic County Allocation
3.9	Community Recovery Services
3.10	Tribal Relief Block Grant Program
3.11	Income Maintenance Consortia
3.12	Guidance for auditing a major program which does not have a compliance supplement
3.13	Public Health Program Cluster
3.14	Not used
3.15	School Based Services Benefit
3.16	Comprehensive Community Services
3.17	Not used
3.18	Children's Long Term Support Waiver

	<b>Section 4 – Applies to any agency with DHS funding</b>
4	<b>Special Investigations of Illegal Acts and Other Misconduct</b>

## URL's for resources cited in the DHS Audit Guide

### *Federal resources*

*Government Auditing Standards* - <http://www.gao.gov/govaud/ybk01.htm>

Single Audit Act Amendments of 1996 -  
[http://www.whitehouse.gov/sites/default/files/omb/assets/about\\_omb/104-156.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/about_omb/104-156.pdf)

OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" -  
[http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133\\_revised\\_2007.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf)

OMB Compliance Supplement - [http://www.whitehouse.gov/omb/circulars\\_default/](http://www.whitehouse.gov/omb/circulars_default/)

Federal Audit Clearinghouse - <http://harvester.census.gov/sac/>

OMB Circular A-102/Common Rule and OMB Circular A-110 -  
<http://www.dhs.wisconsin.gov/grants/Administration/index.htm>

American Recovery and Reinvestment Act - [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)

Code of Federal Regulations -  
<http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR>

### *State resources*

Wisconsin Statutes - <http://legis.wisconsin.gov/rsb/stats.html>

Wisconsin Administrative Code - <http://legis.wisconsin.gov/rsb/code.htm>

State of Wisconsin licensing standards -  
<http://ww2.wisconsin.gov/state/license/app?COMMAND=gov.wi.state.cpp.license.command.LoadLicenseHome> .

Wisconsin Department of Administration for ARRA information -  
<http://www.recovery.wisconsin.gov/>

### *DHS resources*

*Financial Management Manual (FMM)* -  
<http://dhs.wisconsin.gov/Grants/Administration/FMM/FMMTOC.htm>

*Allowable Cost Policy Manual (ACPM)* -

<http://www.dhs.wisconsin.gov/Grants/Administration/AllowableCost/ACPM.htm>

*Department of Health Services Audit Guide (DHS Audit Guide)* and the *Main Document*, both of which are parts of the *State Single Audit Guidelines* – [www.ssag.state.wi.us](http://www.ssag.state.wi.us)

Audit guidance for contracts for Managed Care Organizations with Family Care, Family Care Partnership, and PACE contracts - <http://www.dhs.wisconsin.gov/ltcare/ProgramOps/Fiscal>.

State/County Contract - <http://dhs.wisconsin.gov/sca>

ADRC Center Contract - <http://dhfs.wisconsin.gov/LTCare/StateFedRegs/FC-RC-CMO-Contracts.htm>

Community Aids Reporting System (CARS) - <http://www.dhs.wisconsin.gov/bfs/CARS/>

Department of Health Services (DHS) Forms – <http://dhs.wisconsin.gov/forms/index.htm>

Community Options Program (COP) Guidelines - [http://www.dhs.wisconsin.gov/ltc\\_cop/COP\\_Guidelines/index.HTM](http://www.dhs.wisconsin.gov/ltc_cop/COP_Guidelines/index.HTM)

Wisconsin Medicaid Handbook - <https://www.forwardhealth.wi.gov/WIPortal/Default.aspx>

Medicaid Home and Community-Based Services Waivers Manual - <http://dhs.wisconsin.gov/bdds/waivermanual/index.htm>

Human Services Reporting System (HSRS) Handbook - <http://www.dhs.wisconsin.gov/hsrs/>

Division of Long Term Care (DLTC) Memo Series - [http://dhs.wisconsin.gov/dsl\\_info/Index.htm](http://dhs.wisconsin.gov/dsl_info/Index.htm)

~~~~~  
**Other resources**  
~~~~~

American Institute of Certified Public Accountants - <http://www.aicpa.org/Pages/Default.aspx>

Association of Government Accountants guide “[The State Purchase Card: Uses, Policies and Best Practices](http://www.agacgfm.org/Research---Publications/Thought-Leadership-Library/Research-Publications/Research-Series-Reports.aspx?page=3)” - <http://www.agacgfm.org/Research---Publications/Thought-Leadership-Library/Research-Publications/Research-Series-Reports.aspx?page=3> (registration required)